

A medical appliance is defined as an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310. (This is a GIL).

February 4, 2002

Dear Xxxxx:

This letter is in response to your letter dated September, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

Corporation is in the business of manufacturing and selling defibrillators and accessories. Defibrillators are used in cardiac emergencies to correct abnormalities in the heart's electrical system. Electrodes are attached to the patient to actually carry the electrical charge if needed and to also help with monitoring. These electrodes are only used on one patient and then are disposed of.

The question is, would disposable (electrodes) medical products in this situation be exempt from sales tax? Enclosed you will find copies of the brochures detailing the electrodes and their function.

Could you please send us an official ruling regarding the taxability of electrodes.

If you have any further questions please feel free to call me. I appreciate your help in clearing up this question.

All gross receipts from sales of tangible personal property in Illinois are subject to Retailers' Occupation Tax unless an exemption is specifically provided. Medicines and medical appliances are not taxed at the normal rate of 6.25%. These items are taxed at a lower rate of 1%. Please see the enclosed copy of 86 Ill. Adm. Code 130.310. Items subject to this lower tax rate include prescription and nonprescription medicines, drugs, and medical appliances for human use.

A medical appliance is defined as an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See subpart (c) of Section 130.310. Medical devices that are used for diagnostic or treatment purposes do not qualify for the lower tax rate.

From the information provided it appears that the disposable electrodes manufactured and sold by your company do not qualify as a medical appliance as defined by Ill. Adm. Code 130.310(c). Generally, defibrillators are not considered a medical appliance and are taxed at a rate of 6.25% (plus any applicable local taxes). Disposable electrodes are used in conjunction with defibrillators. Like defibrillators, disposable electrodes do not directly replace a malfunctioning part of the body. These products are not exempt from Illinois sales tax and do not qualify for the lower 1% tax rate.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Shane McCreery

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